

Mid-Session Review

BUDGET OF THE U. S. GOVERNMENT

Fiscal Year 2018



Office of Management and Budget

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THE DIRECTOR

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

July 14, 2017

The Honorable Paul D. Ryan
Speaker of the House of Representatives
Washington, D.C. 20515

Dear Mr. Speaker:

Section 1106 of Title 31, United States Code, calls for the President to send the Congress a supplemental update of the Budget no later than July 15. The enclosed update of the Budget, commonly known as the Mid-Session Review (MSR), contains revised estimates of receipts, outlays, budget authority, and the budget deficit for fiscal years 2017 and 2018.

The limited budgetary developments since the Budget was transmitted on May 23, 2017, are reflected in several tables updating the 2017 and 2018 estimates. The enacted legislation with the most significant budgetary effects was the Consolidated Appropriations Act, 2017 (Public Law 115-31). This bill was signed into law on May 5, 2017, too late to be included in the Budget. In addition, the MSR updates include adjustments to reflect recent trends in outlays and receipts and new programmatic data since the Budget was released. Since the economic forecast underlying the Budget was finalized in March and economic developments over the past few months do not provide a basis for changing this forecast, these same economic assumptions are also the basis for the MSR updates. Additionally, the MSR update includes revised estimates of the mandatory current services baseline and of outlays from discretionary prior year balances as required by sections 1106(a)(2) and (3) of Title 31, United States Code, respectively.

The MSR update reflects higher deficits for both 2017 and 2018 than in the May Budget, driven in large part by lower projected receipts for those years based on recent data on tax collections since the Budget estimates were finalized. The decline in receipts for 2017 is partially offset by lower projected outlays, whereas in 2018 outlays are largely unchanged from the Budget. More information is included in the enclosed "Summary of the Mid-Session Review Update."

The rising near-term deficits underscore the critical need to restore fiscal discipline to the Nation's finances. The failed economic policies of the previous administration resulted in a nearly doubling of the national debt—from \$10.6 trillion in 2009 to nearly \$20 trillion in 2016—and historically subpar economic growth. Our Nation must make substantial changes to the policies and spending priorities of the previous administration if our citizens are to be safe and

prosperous in the future. The proposals included in the President's Budget represent an attainable vision of a Government that preserves the safety and fiscal security of this Nation, bringing Federal spending under control and promoting long-term fiscal sustainability.

Sincerely,

A handwritten signature in dark ink, appearing to read 'M. Mulvaney', with a stylized flourish at the end.

Mick Mulvaney
Director

Enclosure

Identical Letter Sent to The President of The Senate

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GENERAL NOTES

1. Unless otherwise noted, years referenced are fiscal years.
2. All totals in the text and tables include both on-budget and off-budget spending and receipts unless otherwise noted.
3. Details in the tables and text may not add to totals due to rounding.
4. Web address: *<http://www.budget.gov>*

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SUMMARY OF THE MID-SESSION REVIEW UPDATE

This Mid-Session Review (MSR) updates the Administration's estimates for outlays, receipts, and the deficit for legislative, and other changes that have occurred since the President's 2018 Budget (Budget) was released in May. The 2017 deficit is now projected to be \$702 billion, \$99 billion higher than the \$603 billion deficit estimate in the Budget. As a percentage of GDP, the 2017 deficit is projected to be 3.7 percent, up from the Budget projection of 3.1 percent.

This increased deficit projection is driven in large part by lower projected receipts. Receipts for 2017 are now projected to be \$3.3 trillion, \$116 billion lower than projected in the Budget. The decrease is primarily due to lower-than-anticipated collections of 2017 individual and corporation income tax receipts. At 17.4 percent of GDP, 2017 receipts are estimated to be 0.3 percentage point below the level in 2016, but about equal to their average over the last 50 years.

Outlays for 2017 are projected to be \$4.0 trillion, \$17 billion lower than projected in the Budget. The largest decreases were for mandatory benefit payments for Social Security, the Supplemental Nutrition Assistance Program (SNAP), and refundable tax credits, based on claim experience so far this fiscal year. Outlays were also revised downward by smaller amounts for a large number of mandatory and discretionary programs. Outlays for defense discretionary programs rose by \$7 billion, with reductions in a number of defense accounts based on spending trends to date more than offset by a \$19 billion increase in the defense health program resulting from correcting erroneous outlay rates used in the 2018 Budget.

The 2018 deficit is now projected to be \$589 billion, \$149 billion higher than the \$440 billion deficit projected in the Budget. As a percentage of GDP, the 2018 deficit is projected to be 2.9 percent, 0.7 percentage point higher than the Budget projection. Outlays for 2018 are projected to be \$4.1 trillion, \$10 billion higher than projected in the Budget. This increase is driven by a \$25 billion increase in outlays for discretionary programs, including a \$9 billion increase for defense programs due primarily to the correction made to outlays for the defense health program. The discretionary request for 2018 is unchanged from the Budget, apart from the minor revisions transmitted as budget amendments on June 29.¹ Outlays for mandatory programs fell by \$13 billion, including lower outlays for Social Security, SNAP, and refundable tax credits. Receipts for 2018 are now projected to be \$3.5 trillion, \$140 billion lower than projected in the Budget. The decrease is primarily attributable to the spillover effect of lower-than-expected 2017 collections of individual and corporation income tax receipts on the projections.

The MSR update includes six summary tables. Tables S-1 through S-4 show updated budget estimates for 2017 and 2018, including aggregate receipts, outlays, deficit, and debt; baseline receipts and outlays by category; proposed receipts and outlays by category; and proposed receipts and outlays by category as a percent of GDP. The MSR update also includes tables showing mandatory baseline outlays through 2022 and outlays from discretionary balances carried over from 2018, as required by sections 1106(a)(2) and (3) of Title 31, United States Code, respectively.

¹ These amendments are available at https://www.whitehouse.gov/omb/budget_amendments.

SUMMARY TABLES

Table S-1. BUDGET TOTALS

(In billions of dollars and as a percent of GDP)

	2016	2017	2018
Budget Totals in Billions of Dollars:			
Receipts	3,268	3,344	3,514
Outlays	3,853	4,045	4,104
Deficit	585	702	589
Debt held by the public	14,168	14,921	15,600
Gross domestic product (GDP)	18,407	19,162	20,014
Budget Totals as a Percent of GDP:			
Receipts	17.8%	17.4%	17.6%
Outlays	20.9%	21.1%	20.5%
Deficit	3.2%	3.7%	2.9%
Debt held by the public	77.0%	77.9%	77.9%

Table S-2. BASELINE BY CATEGORY

(In billions of dollars)

	2016	2017	2018
Outlays:			
Discretionary programs:			
Defense	585	600	634
Non-defense	600	628	631
Subtotal, discretionary programs	1,185	1,228	1,265
Mandatory programs:			
Social Security	910	940	995
Medicare	588	591	585
Medicaid	368	378	408
Other mandatory programs	560	633	581
Subtotal, mandatory programs	2,427	2,543	2,569
Net interest	240	274	315
Total outlays	3,853	4,045	4,149
Receipts:			
Individual income taxes	1,546	1,584	1,746
Corporation income taxes	300	302	320
Social insurance and retirement receipts:			
Social Security payroll taxes	810	851	884
Medicare payroll taxes	247	256	268
Unemployment insurance	49	47	49
Other retirement	9	10	10
Excise taxes	95	88	106
Estate and gift taxes	21	23	24
Customs duties	35	35	40
Deposits of earnings, Federal Reserve System	116	92	73
Other miscellaneous receipts	40	58	48
Total receipts	3,268	3,344	3,567
Deficit	585	702	582
Net interest	240	274	315
Primary deficit	345	428	267
On-budget deficit	620	745	605
Off-budget surplus (–)	–36	–43	–23
Memorandum, budget authority for discretionary programs:			
Defense	607	634	634
Non-defense	560	571	551
Total, discretionary budget authority	1,167	1,205	1,185

Table S-3. PROPOSED BUDGET BY CATEGORY

(In billions of dollars)

	2016	2017	2018
Outlays:			
Discretionary programs:			
Defense	585	600	652
Non-defense	600	628	617
Subtotal, discretionary programs	1,185	1,228	1,269
Mandatory programs:			
Social Security	910	940	995
Medicare	588	591	585
Medicaid	368	378	404
Other mandatory programs	560	633	563
Allowance for ACA repeal and replacement .....	.....	.....	-30
Allowance for infrastructure initiative .....	.....	.....	5
Subtotal, mandatory programs	2,427	2,543	2,522
Net interest	240	274	313
Total outlays	3,853	4,045	4,104
Receipts:			
Individual income taxes	1,546	1,584	1,746
Corporation income taxes	300	302	320
Social insurance and retirement receipts:			
Social Security payroll taxes	810	851	884
Medicare payroll taxes	247	256	268
Unemployment insurance	49	47	49
Other retirement	9	10	12
Excise taxes	95	88	106
Estate and gift taxes	21	23	24
Customs duties	35	35	40
Deposits of earnings, Federal Reserve System	116	92	73
Other miscellaneous receipts	40	58	48
Allowance for ACA repeal and replacement .....	.....	.....	-55
Total receipts	3,268	3,344	3,514
Deficit	585	702	589
Net interest	240	274	313
Primary deficit	345	428	276
On-budget deficit	620	745	614
Off-budget surplus (-)	-36	-43	-25
Memorandum, budget authority for discretionary programs:			
Defense	607	634	668
Non-defense	560	571	479
Total, discretionary funding	1,167	1,205	1,147

**Table S-4. PROPOSED BUDGET BY
CATEGORY AS A PERCENT OF GDP**

(As a percent of GDP)

	2016	2017	2018
Outlays:			
Discretionary programs:			
Defense	3.2	3.1	3.3
Non-defense	3.3	3.3	3.1
Subtotal, discretionary programs	6.4	6.4	6.3
Mandatory programs:			
Social Security	4.9	4.9	5.0
Medicare	3.2	3.1	2.9
Medicaid	2.0	2.0	2.0
Other mandatory programs	3.0	3.3	2.8
Allowance for ACA repeal and replacement .....	.....	.....	-0.1
Allowance for infrastructure initiative .....	.....	.....	*
Subtotal, mandatory programs	13.2	13.3	12.6
Net interest	1.3	1.4	1.6
Total outlays	20.9	21.1	20.5
Receipts:			
Individual income taxes	8.4	8.3	8.7
Corporation income taxes	1.6	1.6	1.6
Social insurance and retirement receipts:			
Social Security payroll taxes	4.4	4.4	4.4
Medicare payroll taxes	1.3	1.3	1.3
Unemployment insurance	0.3	0.2	0.2
Other retirement	0.1	*	0.1
Excise taxes	0.5	0.5	0.5
Estate and gift taxes	0.1	0.1	0.1
Customs duties	0.2	0.2	0.2
Deposits of earnings, Federal Reserve System	0.6	0.5	0.4
Other miscellaneous receipts	0.2	0.3	0.2
Allowance for ACA repeal and replacement .....	.....	.....	-0.3
Total receipts	17.8	17.4	17.6
Deficit	3.2	3.7	2.9
Net interest	1.3	1.4	1.6
Primary deficit	1.9	2.2	1.4
On-budget deficit	3.4	3.9	3.1
Off-budget surplus (-)	-0.2	-0.2	-0.1
Memorandum, budget authority for discretionary programs:			
Defense	3.3	3.3	3.3
Non-defense	3.0	3.0	2.4
Total, discretionary funding	6.3	6.3	5.7

*0.05 percent of GDP or less.

Table S-5. OUTLAYS FOR MANDATORY PROGRAMS UNDER CURRENT LAW ¹

(In billions of dollars)

	2016	2017	2018	2019	2020	2021	2022	Totals 2018– 2022
Human resources programs:								
Education, training, employment, and social services ...	18	52	14	17	19	22	22	93
Health	455	482	506	527	552	583	616	2,784
Medicare	588	591	585	647	701	758	854	3,545
Income security	448	440	434	456	468	482	507	2,347
Social security	910	940	995	1,057	1,122	1,188	1,260	5,623
Veterans' benefits and services	106	103	102	114	121	128	145	610
Subtotal, human resources programs	2,526	2,608	2,637	2,819	2,983	3,161	3,403	15,003
Other mandatory programs:								
International affairs	-6	-2	2	1	1	*	—*	4
Energy	-2	*	-1	-2	-1	-3	-2	-9
Natural resources and environment	3	2	-1	6	7	7	6	26
Agriculture	12	14	21	17	15	18	17	88
Commerce and housing credit	-28	-13	-13	-16	-13	-12	-7	-59
Transportation	1	2	1	1	1	1	1	7
Justice	2	7	12	8	7	5	3	35
General government	6	7	7	7	8	7	7	37
Undistributed offsetting receipts	-95	-93	-105	-99	-100	-100	-102	-507
Other functions	8	11	8	9	8	8	9	42
Subtotal, other mandatory programs	-98	-65	-68	-66	-68	-69	-68	-338
Total, outlays for mandatory programs under current law	2,427	2,543	2,569	2,752	2,915	3,092	3,335	14,665

¹ This table meets the requirements of 31 USC 1106(a)(2).

* \$500 million or less.

**Table S-6. ESTIMATED SPENDING FROM
2018 BALANCES OF BUDGET AUTHORITY:
DISCRETIONARY PROGRAMS**

(In billions of dollars)

	Total
Outlays from end-of-2018 balances:	
2019	609.1
2020	229.3
2021	97.3
2022	44.7
2023	17.9
2024	11.1
2025	6.5
2026	3.3
2027	1.3

Note: Required by 31 USC 1106(a)(3). Balances as of the end of 2018 include unspent balances of discretionary budget authority provided in 2018 and prior years, as well as unspent balances of mandatory contract authority that is subject to discretionary obligation limitations.



Executive Office of the President